

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION  
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IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST TRANSMISSION COOPERATIVE,  
INC. FOR AUTHORIZATION TO BORROW  
FUNDS TO MAKE ITS ACCELERATED  
FUNDING PAYMENT TO THE NATIONAL  
RURAL ELECTRIC COOPERATIVE  
ASSOCIATION RETIREMENT SECURITY PLAN

Docket No. E-04100A-13-0120

APPLICATION

Pursuant to A.R.S. § 40-301, *et seq.*, the Southwest Transmission Cooperative, Inc.

("SWTC" or the "Cooperative") in support of its Application states as follows:

1. SWTC is an Arizona nonprofit electric transmission cooperative which supplies the transmission service needs of its Class A and Class B members. SWTC is also a member of Sierra Southwest Cooperative Services, Inc. ("Sierra"), which provides staffing services for most of SWTC's, as well as the Arizona Electric Power Cooperative, Inc.'s ("AEPCO"), personnel requirements.

2. For the reasons discussed herein, SWTC requests Commission authorization to borrow up to \$3,526,378 from the National Rural Utilities Cooperative Finance Corporation ("CFC") for a loan term of ten years at an interest rate of 2.9% to finance the prepayment of a portion of SWTC's and its share of Sierra's future pension contributions. In a separate finance application, AEPCO is seeking similar financing approval for AEPCO's and its share of Sierra's future pension obligations.

3. Together with AEPCO and more than 800 other cooperatives nationwide, SWTC and Sierra use the National Rural Electric Cooperative Association (“NRECA”) Retirement Security, or R&S, Plan to provide pension benefits to their employees. The R&S Plan—a traditional defined benefit plan—was founded by the NRECA in 1948. The retirement program assists cooperatives in attracting and retaining the workforce necessary to allow them to meet the power and energy needs of rural America.

4. As part of the Pension Protection Act of 2006 (the “PPA”), Congress has required pension programs such as the NRECA’s R&S Plan to be fully funded in relation to their outstanding retirement obligations by 2017. Failure to comply with that PPA requirement will result in penalties being assessed by the Internal Revenue Service, the imposition of a Deficit Reduction Contribution or, in some instances, both penalty and reduction sanctions will be imposed on non-compliant pension programs.

5. The NRECA has determined to use these federal requirements as a means of reinforcing its R&S Plan ahead of the 2017 compliance date. In that regard, it is allowing prepayments of participating cooperatives' ongoing payment obligations. In turn, a prepayment will greatly reduce the possibility or impact of a future Deficit Reduction Contribution assessment against AEPCO, SWTC, Sierra and other R&S cooperative participants. The prepayment also benefits the cooperatives by (a) reducing AEPCO, SWTC and Sierra's future contribution requirements; (b) cutting their future R&S billing rate by approximately 25%; (c) increasing their future liquidity; and (d) correspondingly, enhancing the strength of their balance sheets. Finally, the prepayment option also allows SWTC and Sierra to take advantage of today's historically low interest rates to finance the prepayment.

6. SWTC's Board of Directors has approved this pre-payment option, as well as the financing requested in this Application.

7. To allow it to complete the CFC loan process by year's end, SWTC requests that the Commission authorize this financing by no later than its September Open Meeting.

WHEREFORE, having fully stated its Application, AEPCO requests that the Commission enter its Order:

A. Authorizing SWTC to borrow up to \$3,526,378 for a loan term of ten years at an interest rate of 2.90% from the CFC; and

B. Authorizing SWTC to engage in any transactions and to execute any documents necessary to effectuate the authorizations granted.

RESPECTFULLY SUBMITTED this 29<sup>th</sup> day of April, 2013.

GALLAGHER & KENNEDY, P.A.

By

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**Original and 13 copies** filed this  
29<sup>th</sup> day of April, 2013, with:

Docket Control  
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1 **Copies** of the foregoing delivered  
this 29<sup>th</sup> day of April, 2013, to:

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